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CONFIDENTIAL FIUNG.

Ownership of the Royal Palaces

ROYAL FAMILY

December 1987

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
23-12-87 16-2-88							
<p>PREM 19/2832</p>							

TINA WEEP
25/3/88



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Andrew Turnbull Esq
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6 December 1989

Dear Andrew

OCCUPIED PALACES

Here are the promised papers on the palaces review. I have flagged the covering submission and review summary.

No work has been done on the option since Mr Ridley gave it cautious agreement in principle a year ago. Para 11 of my submission sets out the basic structure we envisaged, but the detailed delegation and audit arrangements clearly need work and thought.

The key question is accountability. Because political and financial accountability would remain with the Secretary of State and his Accounting Officer, both would need to be satisfied that the delegation agreed with the new Royal Household organisation adequately protected their position. The Surveyor of works would have to accompany the Accounting Officer to any PAC hearing. It also means that the right of final decision would have to rest with the Secretary of State and not with the Surveyor's own employer, The Queen.

You will note that the review predates the decision to transfer the PSA to the private sector. I am sure that, if we decide to develop this option, we should build up a Royal Household organisation from scratch. Although PSA people have much relevant experience, we need to be careful not to build in some of the same faults. And it may be that we can develop a structure which has - subject to security advice - only a very small number of in-house employees. The National Museums provide a useful model. The Tate Gallery for instance has contracted out the whole of its works services to Drivers Jonas.

I look forward to seeing you on Friday.

Yours

Genie

GENIE TURTON
Director, Heritage & Royal Estate

CONFIDENTIAL

Mr McQuail

OCCUPIED PALACES REVIEW

I promised to send you the attached papers on the occupied palaces review.

2. The present arrangements have many of the characteristics of the previous arrangements for running the unoccupied palaces ie too many people involved in decisions, poor or non-existent planning and no clear focus of responsibility. But a key problem is the plural role of DOE as supplier of the works services (PSA), adviser on value for money (PSA), and funder (DOE\HRE). The Household naturally make little distinction between the government as the holder of the purse and the government as the supplier of services. The PSA staff themselves, particularly those in District Works offices and the project architects, also naturally see themselves as working for the Household. It is difficult for the Household to understand why schemes which have been proposed and lovingly nurtured by the government's left hand are subsequently questioned by its right hand. And the Household itself has no occasion or incentive to make choices either about when work should be carried out let alone the 'whether' and 'what' questions.

3. The Secretary of State, Lord Airlie and Sir Terry had a preliminary discussion about this just before Christmas. The Secretary of State at that stage agreed in principle to the idea of a delegation to the Household as long as we could clearly define accountabilities (but also said that he was not happy about the suggestion that a Household employee should appear before the PAC). I was asked to do further work to set out the detailed control and accountability arrangements which might operate.

NOTE
Subsequently
Spoke to Lord
Airlie who
said that he
would like us
further work done
for time being.

4. That work is currently on hold because neither Sally Booth nor Jerry Rendell has spare capacity. I have explored the possibility of 'borrowing' a part-time Principal from the PSA London Region Secretariat for a few months - but, despite an initial helpful reaction, Giles Hopkinson has now told me this is not possible. Unless I can get some extra

capacity at Grade 7 level, the work will have to wait until Jerry Rendell has got through the immediate PES related work on the Parks and Palaces programme, the Parks catering review, and various Tower security problems. This is a vulnerable strategy however because the PPC work load is consistently heavy and very much demand led.

Genie Turton

GENIE TURTON
DHRE
276 3836

7 April 1989

File

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Miss Turton

OCCUPIED PALACES: PROVISION OF WORKS AND ACCOMMODATION SERVICES

You discussed your proposed submission to the Secretary of State with Sir Terry Heiser on Friday 18 November. Sir Gordon Manzie, Mr Owen, Mr Fletcher, Mr Hopkinson, Mr Mutch, Mr Rendell and Mr Reynolds were also present.

It was agreed that the submission should go as drafted with the addition of a short covering minute. This should point up the fact that under the preferred option - the delegation of responsibility to the Household on an Agency basis:-

- i. the Secretary of State would agree the budget in PESC terms;
- ii. Sir Terry Heiser, the Accounting Officer, would be responsible for the specification of systems and ensuring there was adequate control over them;
- iii. the "Surveyor of the Queen's Work" who would be appointed by the Lord Chamberlain would be responsible for the delivery in a VFM sense of services within this specification;
- iv. the officer appointed by the Lord Chamberlain would appear alongside the Accounting Officer at any Public Accounts Committee hearing. The Accounting Officer would answer for the systems and the Lord Chamberlain's appointee would answer for what happened within those systems.

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L. Kennedy

LIN KENNEDY
APS/Permanent Secretary

18 November 1988

- cc PS/Sir Gordon Manzie
- Mr Owen
- Mr Fletcher
- Mr Hopkinson
- Mr Rendell
- Mr Reynolds

(F & 332 wpt LC)

*Temporarily retained
16/11/88
Ry-D*

141/11

File

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- 1. PS\Sir Terry Heiser
- 2. PS\Secretary of State

cc PS\Lord Caithness
 PS\Mrs Bottomley
 Mr Owen
 Mr Fletcher
 Miss Weinberg
 Mr Rendell

PS\Mr Chope
 PS\Sir Gordon Manzie
 Mr Hopkinson

OCCUPIED PALACES: PROVISION OF WORKS
 AND ACCOMMODATION SERVICES

The papers at 'A' report the results of the review we have undertaken under Mr Owen's direction and in consultation with the Royal Household and with the PSA of the arrangements for providing works and accommodation services to the occupied royal palaces.

2. The review concludes that, although the present arrangements meet all the technical requirements of vote accountability, in practice they offer poor value for money. The review's preferred option is to leave the expenditure on the Department's vote but to delegate the exercise of significant financial and executive responsibility to the Royal Household.

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*J. Gray
 21/11/2016*

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THE CASE FOR CHANGE

3. The present arrangements offer a range of problems eg split lines of responsibility, lack of long term joint planning, programming and budgeting. Some of these can be put right without significant enhancement of the Royal Household's role. But the key problem is that, as owners, occupiers and users of the Royal Palaces, the Royal Household must have both a significant say in and significant influence over the works that are carried out. Some works are critical to their operational efficiency or domestic comfort. Others interfere with them. But they have no financial or operational responsibility. Works are seen as their 'right' (as indeed they are) and the provider

626/11

(DOE\PSA) seen as inefficient or difficult if he fails to supply the works on time or to quality or if the cost looks frighteningly high. PSA has a particular problem as both the supplier of the service and as DOE's adviser on value for money.

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DELEGATION TO THE ROYAL HOUSEHOLD: POSSIBLE ARRANGEMENTS

9. We have looked at various 'grant in aid' options. The cleanest solution would be to put works and maintenance expenditure back into the Civil List - it left there in 1831. But this would need legislation and would in any event raise the profile of the Civil List in a way which runs counter to current policy. Any other formal grant systems have the disadvantage of raising the public profile of the costs of the monarchy carried on Departmental votes, and might also need legislation.

10. The alternative is to build on an arrangement we already have for a small part of the Household's expenditure which is carried on the DOE(C) vote - craftsmen's wages and telephone equipment and bills. Here the Household act as our agent. We set the rules and standards. They incur the expenditure and submit bills - with 10% to cover their own overheads. The bills are certified and checked in accordance with government accounting procedures. A similar arrangement for works and maintenance would obviously be of a totally different scale, and would require a much more tightly and carefully drawn framework of control and audit.

11. The basic regime might be very similar to the arrangements Departments are drawing up for executive agencies or the ground rules used for quango or voluntary body funding; the main elements might be:

(i) a new organisation within the Household headed by a very senior official (either recruited externally eg a senior partner in a firm of surveyors or architects or possibly seconded from the Department). He would have equal rank with other Heads of Department, working to the Lord Chamberlain, and with direct access to the Queen. The Surveyor of The Queen's works is an old title which goes back to Chaucer and beyond;

(ii) the new organisation would be responsible for drawing up forward works, maintenance and accommodation service programmes for each Palace (these would look ahead 20 years - with the years of the PES period covered in detail, and the first year of the PES period in more detail. These would be negotiated with the Department each year and a cash-limited budget agreed, within which individual bills would be submitted for payment;

(iii) agreement of ground rules - eg grading and pay of any in-house staff, competitive tendering rules, accommodation standards (to be applied with common sense), financial and accounting procedures, rules for project appraisal and for submission for separate approval of projects above a certain size;

(iv) a system of audit and monitoring. Financial audit might follow the Civil List model ie with the Household using its own internal audit, but with DOE acting as external auditors. A possibility would be to have, in addition to financial audit, surveys of palace condition carried out by external surveyors, who might be jointly commissioned by the Royal Household and the Department. The same firms might be employed to carry out (rare) sample audits on particular projects;

(v) external advice. The Secretary of State might, in addition to the audit arrangements in (iv) appoint a Royal Palaces Fabric Advisory Committee (on the lines of those used by several cathedrals) - this is an optional extra;

(vi) the Accounting Officer of DOE would remain fully accountable for the expenditure. But he might ask the surveyor of works to accompany him to any PAC hearing in order to answer detailed questions about the way the agency was being exercised (cf the position where a Chief Executive of a voluntary body in receipt of public funds accompanies the Accounting Officer for those funds);

(ii) - (vi) would be covered by a detailed delegation agreement.

12. A delegation of this kind, though building on an existing system, would nevertheless break new ground. It would have to be subject to withdrawal in the event of the Household failing to exercise the responsibilities properly. That would take time of course: the arrangements themselves could take 3 years to set up, (ie earliest full implementation perhaps 1992) so a move in the reverse direction could not be done overnight. But the organisation and basic systems of planning and programming would be ones which - because the work was being handled under a delegation - ought to fit back reasonably easily into the DOE structure, should that be necessary.

13. Whether PSA still had a role would depend on whether the Household wanted to subcontract some of its management and delivery arrangements and whether PSA offered the best choice. If the Household decided to set up its own team however (as the National Museums have done) it would almost certainly want to take over (either permanently or on secondment) some existing PSA staff who have long experience of running this aspect of the palaces.

NEXT STEPS

14. If the Secretary of State and Lord Airlie do decide to pursue the possibility of a delegation on these lines, then there is clearly a great deal of work to be done. We need to clear the proposal formally with Treasury at official level (the review reflects their views from earlier discussions) and the Secretary

of State would also want to discuss the issue with Treasury Ministers. However the review has done enough to explore the need for action, and both PSA and we believe there is a prima facie case for a decision in principle in favour of the delegation option. If the Secretary of State agrees then I think a discussion with Lord Airlie on the principles could usefully be arranged now (following a first talk with Mr Owen, Sir Terry Heiser and Sir Gordon Manzie) before we go into the detailed bureaucracy.

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Genie Turton

GENIE TURTON
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*Temporarily retained
16/11/16 RS*

8 November 1988

OCCUPIED PALACES: REVIEW OF ARRANGEMENT FOR WORKS,
MAINTENANCE & ACCOMMODATION SERVICES

SUMMARY

1. Secretary of State is responsible for funding on DOE votes all works and accommodation services at the London occupied Palaces (Buckingham, St James, Kensington and Windsor). Expenditure was removed from Civil List in 1831.

RESPONSIBILITIES

2. Present responsibilities are:

DOE(C) - Directorate of Heritage & Royal Estate. Secures all PES provision (c £14m). Responsible for overall vfm and troubleshooting. Directly responsible for £3m on DOE(C) vote for fittings, furnishings, security guards etc (NB about half of this is administered on agency basis by Royal Household).

Property Services Agency - London Region Directorate responsible for £11m of expenditure on PSA vote. All building, maintenance and accommodation work. Also advises DHRE on all PES estimating, programming and budgeting. Has most of contacts with the Household and some of its District Works Offices are outstationed there.

Royal Household has an advisory role (apart from agency arrangements above). Consulted about their requirements and involved in subsequent processes.

PROBLEMS

3. No problems on surface:

- i. no Parliamentary and public criticism
- ii. considerable PSA expertise and dedication
- iii. meets technical requirements of vote accounting
- iv. generally good work relationships.

4. MAJOR PROBLEMS UNDERNEATH

- i. decision taking\ordering of priorities difficult because no clear line of responsibility and several different levels within DOE(C), PSA and Household at which parts of decision can be taken or influenced;
- ii. responsibility for operational efficiency of Royal Household split from responsibility for works which may be needed to ensure it (eg staff accommodation) or which may interfere with it (eg major works on Palace fabric);
- iii. Household have no basis on which to make vfm judgements on own requirements because work is commissioned, carried out and paid for by others;
- iv. forward planning and budgeting is poor. PSA are improving by new system of surveys as basis for proper forward works and planned maintenance programmes. But still have to fit with operational needs;

v. supervision of contracts is perceived by the Household to be poor. PSA manpower is stretched and because contracts are not theirs, Household cannot even do the usual 'householder' chivvying role.

SOLUTIONS

5. Clearer lines of responsibility could be achieved by cutting out PSA or DOE(C). Improvements also possible in budgeting and planning. Provider of money (SoS) must be ultimate assessor of need and decider of what is spent. But as owners, occupiers and users of Palaces, Household are best placed to judge need and commission and carry out works. Transfer of responsibility to them is likely to produce better results than mere concentration of responsibility within DOE.

6. Similar situation at National Museums, when Office of Arts and Libraries (OAL) are responsible for funding works and maintenance as well as other costs. OAL used to use PSA to assess need and provide works. National Museums have now taken over basic responsibility, and funding is included as a special item in museum's block grant. Clearest solution here would be to add works and maintenance funding to Civil List. But political and constitutional objections.

PREFERRED OPTION

7. Shadow 'grant in aid' or 'agency' arrangement under which Secretary of State uses Household as his agency to exercise his responsibilities. PSA could still then provide services to Household under contract or Household could set up its own organisation (perhaps with some seconded PSA staff).

8. Key question is whether 'agency' option adequately protects position of Secretary of State and his Accounting Officer who remain fully accountable for expenditure and its results. Existing parallel in 'telephone and craftsmen's arrangements.

Substantial funds also go to voluntary bodies where Accounting Officer has no power to hire or fire the Chief Executive. Test is adequacy of control and audit arrangements and whether there is an effective sanction (withdrawal) of delegation\money) for inadequate performance.

FALL-BACK

9. If no acceptable mechanism found for giving the basic tasks to the Household, review recommends considering setting up new dedicated Occupied Palaces works organisation under a single senior official within PSA or Central DOE. Head of unit might be appointed in close consultation with the Household and could perhaps be colocated with Palace Heads of Department to ease cooperation and liaison. But this is very much second best.

NEXT STEPS

10. Review recommends

- i. presumption in favour of concentrating tasks in the Royal Household
- ii. further work, against that background, on financial regime with Treasury and the Royal Household
- iii. study of appropriate Household structure and machinery;
- iv. the setting up of a Project team to take work forward, possibly involving outside consultants.

DHRE

October 1988

MANAGEMENT IN CONFIDENCE

OCCUPIED ROYAL PALACES

I. INTRODUCTION

1. There has been concern for some time that the present split of responsibilities between the Department of the Environment's Directorate of Heritage and Royal Estate (HRE), the Property Services Agency (PSA) and the Royal Household for providing works and accommodation services at the occupied Royal Palaces (Buckingham Palace, Kensington Palace, the St James' Palace complex including Clarence House, and Windsor Castle) are not delivering the best service or value for money. Earlier this year a review was set up to see whether it would be possible to devise a better way of planning, assessing and monitoring the £14m or so of expenditure. The aim would be to achieve a clear and realistic matching of responsibilities with powers, directed at achieving better service and value for money, and a closer match of accountability. This paper represents the outcome of that review.

2. The terms of reference for the review were:

(i). to examine, in the light of recent criticisms, the present organisational and financial arrangements for accommodation services at the occupied Royal palaces and to assess their strengths and weaknesses;

(ii). to consider other options and to formulate the most cost effective, efficient and economic organisational and financial arrangements for all accommodation services at the occupied Royal Palaces, with a view to drawing up a detailed plan for

implementation as soon as possible. The aim should be to have at least interim arrangements in place by 1 April 1989 with a detailed timetable for any subsequent changes if the final arrangements cannot be implemented by then.

The review team was asked to assess the practicality and consequences of such options as transfer of all responsibilities to PSA, to the Directorate of Heritage and Royal Estate or to the Royal Household. In the case of the two latter options it was also asked to look at the arrangements for providing professional services either in-house (HRE or the Household) or on contract (whether from outside or from the PSA). The Treasury asked the review team to ensure that its recommendations were consistent with current policy on the size and financing of the Civil List.

The study was carried out by DOE's Heritage and Royal Estate Directorate in consultation with the Royal Household, PSA London Region and Treasury.

II. THE CURRENT POSITION

3. The following paragraphs describe how money is bid and accounted for; how the annual works programme is compiled; and how works are supervised once they are under way. The responsibilities of the three bodies principally involved are set out in Annexes A (Household), B (DOE's HRE Directorate) and C (PSA).

Finance

4. The total expenditure on accommodation services at the occupied Royal Palaces comes through a number of different financial channels:

PSA Vote. This accounts for the bulk of expenditure at the occupied Palaces - around £1m annually. It covers all schemes relating to the fabric of the buildings and Mechanical and Electrical Engineering services, including for example security work, occupational services,

refurbishment and renovation, and lighting and heating improvements. The funding is ascribed to the PSA Civil Vote from DOE's PES and PSA effectively provide an "allied service", with their Chief Executive answerable to the Public Accounts Committee. However it is HRE rather than PSA who are responsible for making the PES bids, and for advising the Secretary of State for the Environment on his political responsibility and accountability to Parliament for matters to do with the occupied Palaces; and it is HRE rather than the Household who are the formal "client" for PSA, and are responsible for ensuring value for money.

HRE Vote. HRE has both PES and Vote responsibility for a range of services at the Palaces and elsewhere, amounting to around £3m a year. They include:

- fittings and furnishings bought by the Crown Suppliers for certain official residences, such as those of the Lord Chamberlain, or the Crown Equerry, on their first appointment;
- the maintenance of furnishings at Buckingham Palace and Windsor Castle and the salaries of the craftsmen who do the work;
- telephone bills for Buckingham Palace, Windsor, St James' Palace, Sandringham, Balmoral, Clarence House, Birkhall and Castle of Mey, and some teletext accounts. In 1987 HRE provided a new telephone PABX at Buckingham Palace;
- the custody guard service at York House and Marlborough House Mews occupied by Household staff and Royal cars;
- the expenses of the Yeomen of the Guard and Gentlemen at Arms.

Other accounting services are provided by HRE staff, and there are also circumstances in which Departmental costs are reclaimed (set out in para. 16 of Annex B).

Grant-In-Aid

There is a small annual Grant-In-Aid which, since 1957, has been intended to cover the whole cost of internal maintenance services and some new works in accommodation occupied by the Royal Family and their immediate staff; half the cost of such services and works in accommodation used partly by the Royal Family and their private and domestic staff and partly for State purposes; and the whole or part of special works or services at any Royal Palace which the Sovereign may desire and which could not be carried out otherwise at public expense. The Grant is currently fixed at £75,000 pa and is bid for under the normal PES systems. Because the Grant is fixed, and because of the way costs have risen other sources of finance have increasingly borne the burden of many schemes which would originally have been funded by Grant-In-Aid. Paradoxically, the effect had been consistent underspend on Grant-In-Aid with unspent funds being carried over from year to year in a suspense account. Although HRE bid for Grant-In-Aid through the PES system, its role thereafter is largely an accounting one, authorising the transfer into the suspense account at the beginning of each financial year, and sending a statement at the end of each year to the Treasurer to The Queen, who is responsible, inter alia, for overseeing Household finances. Accounting Officer responsibility lies with DOE. Although the Household decide when and how Grant-In-Aid is spent, there is a certain amount of work for DOE in attempting to arbitrate whether particular works ought to be attributed to Grant-In-Aid or to the Vote.

The annual works programme

5. Initially the Household compiles separate lists of accommodation services required in the following year by different Departments, while PSA compile their own list from their Royal Parks and Palaces Group including District Works Offices (DWOs). These are all then assembled into a single list by PSA London Region which is then discussed against the budget expected to be available for the PSA Vote at an annual programme meeting chaired by the Keeper of the Privy

Purse. Following the meeting, PSA prepare a revised programme which should dictate services for the coming year. HRE's role is effectively limited at that stage to deciding what funds should be allocated from the PES provision to the PSA Vote. During the course of the year PSA make monthly returns of actual expenditure on works in progress to HRE. In a year such as the current one when available funds are severely restricted, HRE's normal role in monitoring programme expenditure can develop into one of brokering with the Household difficult decisions on project cancellations or deferrals.

Supervision of works

6. HRE attend quarterly progress meetings held by the Keeper of the Privy Purse with PSA (but only for schemes within his own ambit -see Annex A). In the course of a scheme, the main contact is between the PSA official directly concerned with that project and whoever in the Household has most interest in it; HRE's involvement is limited at this stage to authorising changes to the agreed works and new items or substantial escalations in costs, and related administrative and financial trouble-shooting. These aspects can, however, make disproportionate demands on the time of Ministers and senior officials.

Analysis of the present system

7. There is a clear consensus that the main weakness of the present system lies in the separation and diffusion of responsibilities, on the one hand for identifying the needs and articulating requirements, which may range from the essential to the merely desirable; and on the other hand, for the provision and management of the finance for implementing the programme and controlling the resulting expenditure. This leads to confusion and there is a lack of any clear overall focus of direction and decision-taking, especially in determining and ordering priorities in relation to the money that the Government can make available for this particular programme at any one time.

8. There are two current projects which illustrate clearly the problems of conflicting priorities arising from diffuse responsibilities. The first is the scheme for rewiring the Royal Apartments at Windsor Castle. The need for the scheme was perceived by PSA as being essential for safety reasons but it was inevitably going to be highly disruptive to the Household, who would therefore have preferred to have postponed it or done it in a more piecemeal way. Because of this sensitivity decisions were effectively deferred until a major and expensive project became inescapable. The second example, which illustrates the opposite side of the coin, is that of the refurbishment of the Crown Equerry's House. This needs major work to bring it up to the agreed standard before the present Crown Equerry can occupy it. The Household naturally for their own operational needs, wish the Crown Equerry to have appropriate accommodation without delay. But because of their responsibility for ensuring overall value for money, HRE have had to question if it represents best value for money to spend so much money on this particular building or whether, e.g. better value for money could be achieved by using the building more intensively.

9. There can be no doubt that a better structured and more sharply focused system for assessing needs and establishing priorities would have meant that both projects would have come forward in a more orderly way as part of a planned and agreed forward works programme.

Conclusions

10. There are, certainly, a number of strengths in the present system which are not to be lightly dismissed. In particular, there is the accumulated expertise of those involved, especially in the PSA. And the current system is not controversial. But ultimately, those who live and work in the Palaces and who benefit from, or are inconvenienced by, works and accommodations services ought to have to bear their due share of responsibility for deciding what work should be done and when, and for the financial and practical consequences of

ordering their choice and of deciding priorities in any particular way, subject always to adequate arrangements to safeguard the public money involved, and the long term state of the buildings.

11. The "client" role. At present, by virtue of their responsibilities for financing the programmes, HRE are the formal clients for almost all the various range of services carried out. In practice, however, all the accommodation services are really carried out for the benefit of the Household. Similarly, although formally acting on behalf of the Directorate of DOE of which it once formed a part, in practice this part of PSA London Region carries out the dual functions of client and agent for most works to do with the fabric of the buildings and the main services (eg heating, electric power, and lighting, water, air-conditioning and lifts). These functions, arising from the duty to protect and maintain the Palaces as historic buildings of national significance, have been the long-established *raison d'etre* of PSA and their predecessor departments. They have the technical capacity and organisation on the ground to discharge this role. The disparate nature of the Household's organisation in regard to works services has made it difficult to establish a comprehensive and long-term approach to the planning of accommodation services. PSA's forward planning of the maintenance programme has tended to be based on separate programmes of inspections of plant and buildings; but in 1984 a small full-time professional survey team was established to undertake a continuing programme of detailed and comprehensive surveys of each of the Royal Palaces once every 5 years. These surveys will provide the basis for developing fully comprehensive forward maintenance programmes for each of the Palaces, which will be rolled forward each year taking account of the finance the Government can make available at the time.

12. Financial responsibilities. The multifarious finance lines described above each satisfy the letter of the requirements for accountability of Government finance. But inasmuch as actual responsibility is often much less strongly perceived or exercised, it is arguable that the spirit of true accountability is not met. HRE's

control is often only nominal, while the Household has no incentive either to consider its requirements for works services in a single body.

III. OPTIONS FOR CHANGE

13. One possible approach would be to seek to improve the present system by streamlining some of the subordinate procedures. For example, the Household is already taking steps to clarify responsibilities for assembling and assessing all their accommodation requirements; this might lead to the identification of a single official who could co-ordinate the bids coming forward from 4 or 5 different Departments. (Such an official might be supported by "building managers" each of whom would be responsible for all aspects of one particular Palace. This would match more closely the changes introduced by PSA this year in their organisation with the aim of providing a service more closely dedicated to the different Palaces). Furthermore, Treasury have now agreed to increase the current delegation levels to PSA which will simplify procedures within the Agency. These measures will be implemented as soon as the funding problems make this practicable. And if the responsibilities of the Household and PSA were made clearer, HRE might not need to be involved in some of the more day-to-day aspects.

14. Many of the advantages of sticking to the present arrangements, broadly at least, have already been set out above. Above all, PSA's expertise and knowledge of the occupied Palaces Estate, and the different Departments and individuals within the Household, would be retained.

15. The main argument against such a solution, however, is that it would do no more than tinker at the edges with the fundamental difficulty - the basic division and dilution of the responsibilities. There would remain the fundamental split between those requiring the service and those who pay for them, with all the attendant dilution of

personal incentives to good housekeeping. Retaining PSA's expertise and knowledge - which needs to be looked at as a separate question - is not necessarily excluded by other options.

16. Any proposal to go further than this, and to concentrate current responsibilities within one of the three bodies most directly concerned, will inevitably involve reshaping the present basic structure. In doing so, the most sensible way forward might be to establish a single unit with responsibility for both future and current financial management, for agreeing with the Household the formulation of the annual works programme from a basis of systematic 5-year surveys, and for the programme's execution. Accordingly, it might combine the administrative and professional functions now exercised by PSA and HRE. If it were based in PSA or Central DOE, such a unit might be identified as a separate body within the parent Department, with a Chief Executive given a specific remit by the Secretary of State and the Permanent Secretary, along the lines of an Executive Agency; and a system of performance monitoring which should make possible still greater flexibility on "tiered" financial delegations.

17. The following paragraphs look at the implications of concentrating responsibilities, possibly through establishing such a unit, in PSA, in HRE or in the Household itself.

18. The main advantage of concentrating all responsibilities, as far as possible, within PSA is that it would remove HRE's involvement entirely, and simplify lines of communication considerably. This would, in turn, provide an opportunity for the Household and PSA to re-define their relationships and clarify their responsibilities.

19. On the other hand, if PSA were to take over the functions now carried out by HRE in addition to those it exercises already, this would not fully remedy the present imbalance between the roles of the Household and PSA, whereby neither body has a full "client" role in terms of both having financial control and being the user. Aspects

such as collecting repayments etc would not necessarily fit more sensibly among PSA's other remits than they do now in HRE's. Concentrating all financial responsibility for PES and Vote in PSA in this way would run counter to the changes in PSA's role announced by the Secretary of State in parliament on 25 May 1988. The Government's intention is to make PSA an entirely payment body from April 1990, with Trading Fund status as the eventual objective.

20. Concentrating all responsibilities in HRE, as with the PSA option, would have the effect of bringing the "quasi-client" function within a single body. To make this option more workable, HRE would need to have access to the specialist advice which now enables PSA to assess and bring forward proposals for the maintenance of the fabric and services of the buildings. In practice, this would mean that HRE would either continue to employ PSA on payment terms or else return to having their own in-house resources on the lines of the Scottish Development Department's arrangements, which seem to work well at Holyrood House. This would be the "single unit" outlined in paragraph 16 above. But even so, a reorganisation on these lines would not in itself necessarily lead to a more rational approach to the preparation of a works and maintenance programme, or to the more effective management of the resultant programme once it was approved, so long as the new unit remained separate from the real user of the services provided - the Household.

21. Indeed, only the final option, which is to concentrate responsibility within the Household would in fact achieve this - if responsibility for managing finance could also be given to them. The Household itself would be able to assemble a single programme of works bids, including those bids now brought forward by PSA; match them to funds available and allocate priorities; and then be responsible for monitoring progress. This is the only option which, following the principles of FMI, might truly enable the management of both finance and "requirements" to be brought into a single hierarchy, and make it possible to review and improve effective long term planning of the occupied palace Estate as a whole rather than piecemeal.

22. If this were the preferred solution, a number of formidable problems need to be overcome, however.

(a) Finance

23. Giving the Household responsibility for managing accommodation services at the occupied Palaces would require a regime which allows the Government to make financial payments, in a manner which meets the requirements of public accountability, to the Household to carry out these functions. There are various mechanisms which may achieve all this, and their practicability and acceptability need to be explored with Treasury and with the Household.

24. One model is the Civil List. This is effectively linked to annual increases in the cost of living. Expenditure from it is controlled by the Treasurer to The Queen and, for any accommodation services, is paid to the PSA as agent. Financial responsibility lies with the Treasury Permanent Secretary who, as Auditor of the Civil list, is responsible for checking that the Household's expenditure accords with the provisions of the Civil List legislation. The present Civil List could be extended to include all accommodation services. Because there has been a consistent policy over many years to keep the size and scope of the Civil List to the minimum and to reduce it where possible, however, it might be preferable to establish a line of provision for accommodation services separate from the Civil List itself, but following the Civil List systems of funding and control. But in either event, because both the ambit of the Civil List and its operation are unique and laid down by Statute, new legislation would almost certainly be required to extend the scope of services to be covered by it and to increase the supply of money provided: and for wider policy reasons it may well be considered undesirable to consider new legislation in this area relatively soon after the last Civil List Act in 1975.

25. There are, however, other possible models which should be considered:

(i) One would be to establish a new grant mechanism, whereby the Government would make a grant annually to the Household for this specific purpose. Grants of this order of magnitude are normally made to Non-Departmental Public Bodies established by Statute, whose activities are regulated by direction by a Secretary of State and by specific arrangements for financial accountability. These arrangements often involve Accounting Officer responsibility being shared between the Permanent Secretary of the "parent" Department and the Chief Executive of the recipient body. Applying this model to the Household in this case, however, would have implications for the present constitutional position of the Household vis a vis Ministers and Parliament.

(ii) There are, however, some important exceptions to this general rule on accountability arrangements - for instance, the annual grants by the Department of Trade and Industry to the National Association of Citizens Advice Bureaux (NACAB), or by the Home Office to the Womens Royal Voluntary Service. The NACAB grant is currently over £8m pa: DTI determine the size and specify in some detail precisely how the grant is to be used. To protect the position of the DTI Accounting Officer the recipients are required to provide regular detailed accounts to demonstrate that these conditions are being observed fully. Applying this model to the Household might avoid jeopardising the constitutional status quo.

(iii) If the arrangements outlined in (ii) were nevertheless considered too risky for that reason, then yet another procedure could be devised which would enable the Secretary of State to arrange for the primary management responsibility to be discharged within the Household. This would involve him either making periodic payments to the Household to cover the

whole cost of the programme or paying for the services direct through DOE or PSA once the Household had undertaken all the relevant programme control, project sponsorship and financial control functions. In either case, the Household would effectively be acting as an agent to enable the Secretary of State to discharge his responsibilities.

(b) Control arrangements

26. The basic approach might be similar to that being suggested for the running of the unoccupied Palaces, whereby in this case the Household would prepare a detailed 5-year plan for spending on the occupied Palaces. This would be submitted to the Government and used as a basis for negotiating a forward grant line for the PES period. There would need to be some form of monitoring and possibly some independent audit scrutiny, and it might be necessary for very large projects to be submitted for separate assessment. The Government might well want to obtain independent advice, perhaps through some Advisory Board mechanism, when it scrutinises the programmes and plans proposed by the Household. The plan would spell out for Government approval policies on routine maintenance and repair/modernisation (eg how often bathrooms or kitchens would be modernised as a rule of thumb); and there might also, as now, be guidelines on the standards to which official residences should be renovated. But as part of the arrangement, the Household would accept that there would not be all the money they needed for everything and also that common sense would need to be applied if, for instance, the "standards" led to propositions which were inordinately expensive.

(c) Organisation of the Household

27. The Household would, in effect, be charged by the Secretary of State with the duty to protect and maintain the Palaces in the public interest, including bringing forward with sufficient priority uncomfortable schemes such as the re-wiring of Windsor Castle. To do this it would have to be in a position to plan, finance, manage,

control and answer for a publicly funded works programme amounting at present to a total of some £1m a year. Quite apart from ensuring access to the necessary expertise to carry out these new functions, a new management system would have to be established to dovetail them into the Household's current, but limited, responsibilities for accommodation services, to give a more comprehensive approach. Some possible improvements have been suggested in paragraph 13 above.

28. To discharge these responsibilities the Household would need to have access to the professional advice and work now provided by PSA. Quite what this should involve, and whether elements should be provided "in-house" or from outside, needs to be studied; it would be necessary to consider, in particular, the future of the District works Offices which are currently located within Buckingham Palace and Windsor Castle, and which provide on-the-spot services through a directly employed labour force. Similarly, decisions are needed on the best way in which the Household could carry out functions now undertaken by HRE.

(d) The future role of PSA

29. Whatever the preferred arrangements, wider decisions will be needed in due course about the future role of PSA in providing services at the occupied Palaces. By definition it would, initially at least, be acting on an Agency basis providing services on payment. It would be necessary to consider, particularly in the light of the recent announcement about the future of PSA, on what basis PSA should continue to provide some or all of its services, and to what extent private firms might be invited to compete. (The new arrangements at Hampton Court Palace, under which PSA are providing works services for the Administrator on the basis of an agreed formal contract, could be relevant).

IV. RECOMMENDATIONS

30. It is recommended that:

(a) without yet finally discarding the other options, there should be a presumption in favour of the option to concentrate responsibility for works and accommodation services at the occupied Palaces in the Royal Household, as far as possible;

(b) effort should now be concentrated on exploring the possibilities for achieving this in specific terms:

(i) discussing an appropriate financial regime which is both practicable and acceptable

This will involve HRE, with Treasury, the Treasury Solicitor and the Household, looking at different funding regimes - in particular, the options discussed in paragraphs 24 and 25 above - in terms of their political and constitutional acceptability; the need for legislative cover; and arrangements for accountability.

31. If it is established that an acceptable financial and constitutional mechanism can be set up, the next steps would be:

(ii) studies to identify the additional tasks which will fall to the Household, and the various ways in which those tasks could be carried out. This should include the future role of PSA.

(iii) consideration of the most appropriate system of management within the Household to discharge their new tasks and responsibilities.

For (ii) and (iii) it is proposed that a Project Team should be set up in HRE to examine the scope for using consultants to take these

studies forward. PSA will need to be closely involved with the work of the Team, as will the Household itself. If consultants were appointed, they would become part of the Project Team.

32. At the same time:

(c) an exercise should be mounted to define the role and structure of a new self-contained unit dedicated to providing works and accommodation services at the Royal Palaces, combining the current functions of HRE and PSA (see paragraph 16 above).

This should take place independently of final decisions on (a) and (b) above.

33. In the light of this work, detailed proposals should be drawn up for a programme to implement changes, including interim arrangements; together with a timetable.

Fall-back Proposals

34. If in the end no acceptable mechanism can be found - at least in the short term - for transferring financial responsibility to the Household, it would then be necessary to consider also whether the unit referred to in paragraph 32 should be placed within PSA or Central DOE. The head of this organisation, although technically part of DOE or PSA, might be appointed in close consultation with the Household, and might be given specific responsibility for working closely with the Household in the preparations of forward plans and budget bids.

35. In itself this would not of course solve the basic problem of client responsibility. The unit would clearly remain responsible to the Department's Accounting Officer and to the Secretary of State. But it might be physically located at one of the Occupied Palaces, working very closely with Household Departments. Ideally the Household would

use the head of the unit to co-ordinate its own requirements and resolve any differences. The head of the unit would of course need direct access to the Lord Chamberlain for this purpose. Tied to a new system of plans and forward programmes and external audit arrangements, such an arrangement could provide a base from which a formal transfer of responsibility could be arranged subsequently.

Royal Palaces (Reorganisation) Branch
Heritage and Royal Estate Directorate
Department of the Environment

October 1988

OCCUPIED PALACES REVIEW: THE ROYAL HOUSEHOLD

The occupied Palaces are Buckingham Palace; Kensington Palace; the St James' Palace complex, including Clarence House; and Windsor Castle. Existing responsibilities for "property" matters relating to them (including flats, houses, farms etc associated with them) are divided between a number of the Departments of the Household as follows:

- The Keeper of the Privy Purse is responsible for all Grace and Favour and official residential accommodation in London and Windsor, other than in-house single person accommodation. He is also responsible for the farms at Windsor, some of whose buildings are maintained by PSA; and the Royal Palaces Presentation Fund, which in turn is responsible for the operation of The Queen's Gallery, the shop at Buckingham Palace and the public opening of the State Apartments at Windsor.
- The Master of the Household's Department is responsible for Buckingham Palace and Windsor Castle including the State Apartments and offices at Windsor Castle, in-house single person accommodation, and the buildings used by The Queen's Gallery and the Buckingham Palace shop.
- The Lord Chamberlain's Office is responsible for functions at the State Apartments at St James' Palace, and for proposing internal maintenance works there.
- The Crown Equerry is responsible for all aspects of the Royal Mews, including Mews residential accommodation, in London (but only the garages at Marlborough House Mews) and Windsor.
- The Royal Collection Department is responsible for the workshops in Marlborough House Mews.

Each of these Departments undertakes a "quasi-client" role in commissioning works and services for the properties within its sphere. However the works bid for each year by the Household Departments by no means represent a comprehensive programme, for various reasons. The most important of these is the fact that bids for works to the exterior of buildings and to mains services are made principally by the PSA District works Offices (DWOs), which therefore also have a "quasi-client" function. PSA similarly take the lead in bidding for works to do with security requirements, at the instigation of the Home Office.

It is DOE's Heritage and Royal Estate Directorate (HRE) who formally act as client both for works services undertaken by PSA and fittings and furnishings supplied by The Crown Suppliers. HRE also make the PES bid for the funds later voted to PSA for their work; and prepare the annual works programme. In practice the latter is compiled by PSA's London Region from the Household's own proposals and from the list of projects provided by PSA themselves (the DWOs and the Royal Parks and Palaces Group). The Household do not formally collate or rank the bids coming forward annually from each Household Department: decisions on the overall programme are reached at the annual estimates meeting, under the chairmanship of the Keeper of the Privy Purse, which considers the various Household bids as well as those from PSA. In practice, the different Household Departments discuss their own priorities among themselves before the meeting takes place.

Once the programme has been settled, there are quarterly progress meetings at the Privy Purse Office - but these only cover projects on Grace and Favour and official residences for which the Office is responsible. During the course of works, there is direct contact between PSA and the section of the Household directly concerned with that particular project. There may be special liaison groups for specific projects. For example, the major programme to update electrical and heating services at Windsor Castle is being overseen by a steering group consisting of the Under Secretary in charge of HRE, the Master of the Household, the former Comptroller of the Lord Chamberlain's Office who is acting as project sponsor, and the PSA.

MANAGEMENT IN CONFIDENCE

DIRECTORATE OF HERITAGE AND ROYAL ESTATE: FUNCTIONS IN RESPECT OF OCCUPIED ROYAL PALACES

Staffing

1. The estimated normal staff requirement:

		Total staff cost £000s +
Grade 3 (and secretary)	0 - 5%	
5 (and secretary)	5 - 10%	
7	40%	
HEO	40%	
EO	80%	
AO	50%	
		53.5

All staff are based at Marsham Street.

However the Secretary of State's political and financial responsibilities for the occupied Palaces can and does involve Ministers and senior officials on specific issues; and this "contingency liability" can take up a disproportionate amount of their time. A current example is the very important and difficult Windsor Castle rewiring scheme.

+ Source: DOE Staff Costs Ready Reckoner 1988. Accommodation costs are excluded.

PES and Works Programme

2. DHRE's Parks and Palaces Division (PPC) effectively acts as the client for accommodation services at the Royal Palaces. It is therefore responsible for co-ordinating agreement of the annual works programme, and for obtaining the necessary PES cover in conjunction with FES. PPC are responsible for dealing, on the basis of advice from PSA, with the small volume (3 or 4 cases a year) of Parliamentary, PSO etc correspondence about the Royal Palaces.

3. The cycle is as follows. In July/August, PSA (Admin) asks Parks and Palaces Group and the District Works Offices at Buckingham Palace and Windsor for projects for the next financial year. In parallel, PPC put similar questions to the Household. PSA (Admin) co-ordinate their information from all sources into a schedule of projects large and small. PPC then check this schedule for completeness towards the end of October. PPC send the Household a draft programme, with an indication of the sums likely to be available for Part I, Part II and Part III works respectively. The split is based on expenditure in previous years. At the same time, a meeting to discuss the programme is arranged. That meeting, which is held at the end of November/early December, is a large event, chaired by the Keeper of the Privy Purse and attended by PPC, PSA Admin and Technical and the heads of department from the Household, a total of up to 20 people. It goes through the draft works programme item by item. In the light of the meeting, PSA prepare a revised programme in consultation with PPC. In order to anticipate slippage, it is considered judicious to over-programme by some 20-30%. Final decisions about the programme are taken in January, and a final version circulated to all concerned. This programme should dictate accommodation services for the forthcoming financial year.

4. An analysis of expenditure by type at each of the occupied Royal Palaces over the least 5 years is given at Appendix 1.

5. Once the programme has been determined, PPC involvement declines as PSA get on with the works. PSA make a monthly return of spend to PPC. PPC attend quarterly progress meetings with the Privy Purse and take

the minutes. Essentially these meetings are progress reports by PSA to the Privy Purse. PPC are for the most part onlookers. Their authorisation is sought for new items, if there is any substantial escalation in costs, and they arbitrate in arguments about whether a particular item should be funded from the Vote or the Civil List (some 12 cases a year). There is also a general trouble shooting function and PPC take the lead where the negotiations need to be conducted across a range of parties.

Grant-in-Aid

6. Works proper to the Sovereign in her official role are funded from the Vote, and works proper to the Sovereign in her personal capacity from the Civil List. There will always be items which do not fit neatly into these categories. The device of Grant-in-Aid is used to finance such items without unproductive arguments about apportionment. Grant-in-Aid began in 1911, and assumed its present form in 1936. It is currently a fixed annual sum of £75,000 and has been so since April 1981.

7. PPC bid for Grant-in-Aid through the PES system and authorise transfer to a suspense account at the beginning of the financial year. This account is operated by Accounts B.

8. Grant-in-Aid covers:

(i) the whole cost of internal maintenance services and some new works in accommodation occupied by the Royal Family and their private and domestic staffs, for example replastering and joinery;

(ii) 50% of the cost of such services and works in accommodation used partly by the Royal Family and their private and domestic staffs; and

(iii) the whole or part of the cost of special works or services at or associated with any Royal Palaces which the Sovereign may desire and which could not otherwise be carried out at public expense.

Expenditure is authorised by the Assistant Treasurer to the Household. The Grant is usually underspent but the Household are now committed to making greater use of it. It generates a considerable amount of work about individual items of expenditure, particularly allocation of items between grant and Vote.

Telephone accounts

9. PPC are responsible for meeting from their Vote the costs of telecommunications services (equipment and rental) at the occupied Royal Palaces and at Sandringham, Balmoral, Birkhall, the Castle of Mey and Clarence House. The total bill for 1987/88 was £634,500. PPC authorise bills for payment by Accounts B. There are few effective controls or checks, although new items, unusual figures or changed patterns of use are queried. Telecommunications appear as a separate line in the Vote.

Apartments

10. Official and grace and favour apartments are allocated by the Household. PPC maintain a schedule of charges (based on actual charges and rateable value) for heating, hot and cold water, gas, electricity and towel rails (revised annually), arrange their collection (through Accounts B), chase up bad debts and deal with queries. They are also responsible for maintaining a list of occupants and informing PSA London Region, PSA Estates and accounts, when there are changes.

11. There are 337 occupied apartments (and a further 68 used as offices etc and 9 more maintained at their expense by the Household). Expenditure is £1.2million on official apartments and £0.6 million on grace and favour apartments. Although ambassadorial standards apply to the apartments for heads of Department, there are only 7 of these.

Standards at other apartments depend on the status and influence of the occupant. Apartments are redecorated and refurbished (standards are again ad hoc) when there is a change of occupation. Decoration during an occupation is undertaken on a repayment basis by the DWO.

Security

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Miscellaneous Payments

13. PPC are responsible for a number of miscellaneous services and activities. PPC handle both PES and Vote, and certify accounts for payment by Accounts B. The activities are:

- (i) the expenses of the Yeomen of the Guard and the Gentlemen at Arms (about £45,000 a year);
- (ii) the wages of craftsmen at Buckingham Palace and Windsor Castle who maintain furniture, lay carpets etc; the wages of porters and night watchmen at both buildings and of the basement cleaner at Buckingham Palace (about £616,000 a year);
- (iii) the custody guard service at York House and Marlborough House Mews (some £97,000 a year).

Provision and maintenance of furnishings at the occupied Palaces

14. PPC obtain annual estimates from the Crown Suppliers, monitor expenditure and authorise payment of bills by Accounts B. Expenditure is on the PPC Vote. Total expenditure is of the order of £150,000 a year.

Reclaiming the costs of certain services

15. For reasons which are for the most part lost in the mists of time, PPC are responsible for reclaiming from the Palace authorities the costs of a few services. For the most part this is done quarterly: PPC receive the accounts and cause Accounts B to send out the necessary bills.

16. The items involved are:

- (i) the maintenance of fire fighting equipment at Windsor Castle (repayment for work by the DWO);
- (ii) window cleaning at Buckingham Palace Mews (by contractors). Window cleaning at the occupied Palaces is arranged by the DWOs and charged to the Household as bulk maintenance;
- (iii) portering costs at Windsor Castle state apartments (the wages of 2 porters plus any overtime) because this is RPPF commercial enterprise;
- (iv) maintenance by the DWO of the Queen's Gallery at Buckingham Palace. Again repayment in respect of a commercial enterprise;
- (v) the individual costs of ad hoc services provided by the DWO for functions at St James' Palace and Kensington Palace.

Other Functions

17. Again, these are a miscellaneous collection:

(i) Operation Marquee (a constantly updated action plan for arrangements for a Royal funeral);

(ii) dealing as necessary with planning applications in the vicinity of Royal Parks and Palaces. Local authorities are required by the General Development Order to notify the Department of applications for developments within 800 metres. About 100 notifications a year need to be gone into in detail. PPC consult the Palace, HBMC, PSA and Crown Estates and then comment;


(iii) ceremonial events like state visits involving the Royal Parks;

(iv) general oversight (PSA do most of the work) of the arrangements under Circular 18/84 for obtaining 'shadow' planning permission under the procedures laid down in Circular 18/84;

(v) flag flying. There are standing instructions for flags to be flown on public buildings on certain days of the year. PPC act as a post box in passing to accommodation officers instructions to fly flags on other occasions like deaths or births and State visits, Commonwealth Conferences, Royal marriages (150 letters a time).

General

18. There are two distinct sorts of PPC function: the planning cycle associated with PES and the annual works programme (and its subsequent revision); and the range of routine and ad hoc tasks associated with billing and the like.

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SKW



10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

25 September 1989

Dear Alan,

HISTORIC ROYAL PALACES AGENCY

The Prime Minister has seen your letter to me of 27 September and the note attached on the establishment of the new Historic Royal Palaces Agency. She thought this provided an excellent example of what Agencies can achieve if a framework is set and the Department, plus in this case the Royal Household, step back to give the Agency scope to manage.

*Yours sincerely
Andrew Turnbull*

(ANDREW TURNBULL)

Alan Ring, Esq.,
Department of the Environment.

OSK



Prime Minister

Although in a unique area, this provides an excellent example of what agencies can achieve if a framework is set and the agency is given scope to manage.

2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000

The agreement would not have been possible if the Department, but more so the Royal Household, had not been prepared to stand back (I think much of the credit for this goes to Lord Airlie). In the other project under consideration, it will be the Government that stands back, leaving the Royal Household freedom to manage.

My ref:
Your ref:

Andrew Turnbull Esq
Private Secretary to
The Prime Minister
10 Downing Street
LONDON
SW1A 2AA

leaving the Royal Household freedom to manage

AT 22/9 22 September 1989

ms

Dear Andrew,

The Prime Minister may find it useful to have some brief background on the new Historic Royal Palaces agency which is to be launched on 4 October. The establishment of the agency has involved major changes in the role of the Royal Household in relation to the palaces.

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The long paper at A has been seen by The Queen and sets out the arrangements agreed in detail. The key points are:

- i. the Palaces (Hampton Court, Tower of London, Kensington and New Palaces, and the Banqueting House) are managed and financed by the Secretary of State. But they still belong to The Queen in right of Crown and many of their contents are from the Royal Collection;
- ii. until now the Palace management has involved a mix of interests - DOE, PSA, English Heritage and the Household. The result has been under-performance. Costs are high; and standards of interpretation and visitor service poor;
- iii. the Household has until now taken the view that the Royal status of the Palaces can be maintained only if many detailed decisions are referred to them. The new arrangements are a radical change. The Secretary of State and his new agency become responsible for all key decisions within a set of formal agreements on matters relating to The Queen's direct interests (the Royal Collection, the Crown Jewels, accommodation and functions). The Lord Chamberlain, Lord Airlie, will be responsible for monitoring the effectiveness of the new agreements, but the emphasis is on detachment, delegation and trust;

iv. the only area of continuing involvement is likely to be on the Royal Collection. Members of the Royal Collection Department will be members of the Chief Executive's interpretative team. But they will no longer have the lead or final say on interpretation;

v. in addition to the general changes, The Queen has agreed changes in the role of the Constable of the Tower and of its Governor, both Royal appointments. Until now the Constable - usually a Field Marshal, has been regarded as having a say in management and policy decisions on the Tower. He now becomes an honorary appointment with ceremonial duties only. The Governorship of the Tower was previously not much more than an honorary appointment, paid by the Department, but chosen by the Ministry of Defence from amongst the ranks of deserving Major Generals. The new Governor has been chosen by open competition and has taken on the full time professional job of Tower manager.

The changes are designed to achieve significant improvements in the way the Palaces are run and presented by focusing responsibility on a single professional organisation accountable to the Secretary of State. The Palaces are buildings of exceptional quality and history, and should, under the agency arrangements, move to a position where they set standards of excellence for the rest, rather than lag behind. We have appointed by open competition an excellent first Chief Executive, David Beeton, who was formerly Secretary of the National Trust and, before that, Chief Executive of Bath City Council. He will have a tough job, but the Queen's agreement to the new framework

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is a very important first step.

Lord Airlie has been particularly helpful throughout in what have been inevitably difficult negotiations.

Yours
AD Ring
A D RING
Private Secretary

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**HISTORIC ROYAL PALACES
ARRANGEMENTS FOR CONSULTING THE QUEEN'S HOUSEHOLD**

1. The new Historic Royal Palaces organisation is designed to achieve significant improvements in the way the Historic Palaces (Hampton Court, Kew, Queen Charlotte's Cottage, the public part of Kensington, the Banqueting House, and the Tower of London) are presented and managed. The aim is to set up within the Secretary of State's Department a new management structure with high professional standards, which will meet the Secretary of State's responsibilities to The Queen and to Parliament without excessive bureaucracy and without the need for the present detailed day to day involvement by several different departments of The Queen's Household.

2. This note sets out proposals for consulting The Queen's Household.

THE QUEEN'S HOUSEHOLD: THE ESSENTIAL REQUIREMENTS

3. The Historic Palaces are a significant part of the country's royal and historical heritage. The Secretary of State has statutory responsibility for their funding, management and presentation to the public. But they belong to The Queen in right of Crown and most of their contents are from Her private collection. The Palaces are still occasionally used for some royal purposes, although only Kensington Palace is still occupied by members of the Royal Family.

4. The Lord Chamberlain needs to be satisfied that the new management arrangements properly safeguard The Queen's direct interests. The essential requirements are:

i. the conservation and presentation of the Crown Jewels in the Tower of London (as set out in the proposed new agreement in para 18)

ii. the conservation and presentation of the paintings, furniture and objects from the Royal Collection which are displayed at the palaces (as set out in the proposed new agreements - para 23ff);

iii. appropriate arrangements for occasional royal use of the palaces (royal functions and special events, worship in the Chapels Royal) (as set out in para 27);

iv. regard for the amenity of members of the Royal family living in the part of Kensington Palace which will not be managed by the agency and of the remaining Grace and Favour residents at Hampton Court Palace (as set out in paras 30 - 34).

EXISTING ARRANGEMENTS

5. Until now, The Queen's interests in the palaces have been safeguarded by close involvement by officials of the Household in the running of the palaces. The arrangements have involved not just different departments of the Household but various departments of the Department of the Environment, the Property Services Agency and English Heritage. This has produced a great deal of day to day activity in terms of meetings, committees and written correspondence. But responsibilities have not been clearly defined or focused. Perhaps as a result, despite the commitment and enthusiasm of many of those involved, costs have been high and many excellent plans have come to nothing. Present standards of interpretation and of the general services to the visitor fall some way short of the standards which the exceptional historical, architectural and artistic quality of the Palaces and their contents deserve.

6. At Hampton Court, for example, despite the magnificence of the paintings and State Rooms, many visitors leave disappointed and even bored, with memories not of the richness of its royal associations but of large rooms with little historical interpretation or of the temporary admission huts which ruin the first sight of the great entrance courtyard. Kew Palace too, with its entrance hall filled with an ugly plastic counter and souvenir display cabinets, provides a vivid example of the opportunities for improvement.

7. Because decisions have been taken piecemeal and ad hoc, the real cost (actual and opportunity) of some decisions has not been recognised and opportunities for reducing the high cost to the taxpayer of looking after the palaces have also been missed.

A CHANGE OF APPROACH

8. The creation of the new agency under the Secretary of State provides an opportunity for change. In place of the present complex structure through which the Secretary of State discharges his responsibilities and The Queen's Household theirs, the new approach will produce a simpler framework of plans, specific agreements and delegations. The new agency will be a single, dedicated and professional management structure. Its employees will be civil servants (whether on permanent or shorter term appointment) and will

be wholly answerable to the Secretary of State. It will operate with substantial delegated authority, within a policy and resource framework agreed with the Secretary of State.

9. The greater the delegation to it, the more effective its performance is likely to be. The key requirements for delegation are a clear overall control system; confidence in the agency's ability; and clarity about where actual decisions are taken and how differences should be resolved. The new organisation is likely to take a little time to build up the expertise necessary to take on the full range of its new responsibilities. But unless the principles of the new arrangements are established at the start, the new organisation will not develop in the desirable way.

PROPOSED ARRANGEMENTS

10. The machinery we propose is designed to transfer the main responsibility for meeting The Queen's requirements to the Secretary of State and his new management organisation, and to reduce the mandatory involvement of the Lord Chamberlain and officials of the Household to the minimum necessary to ensure that The Queen's direct interests are safeguarded and that existing expertise is not duplicated unnecessarily.

11. It has three key elements:

- i. a general role for the Lord Chamberlain in the setting up of the new organisation and in monitoring its subsequent performance in relation to The Queen's direct interests in para 4 above (paras 12 to 13 below);
- ii. the establishment of separate formal agreements on the areas of direct interest (the Crown Jewels, the Royal Collection, the use of the palaces for royal events, Grace and Favour and other accommodation) (paras 14 to 34 below);
- iii. ad hoc direct consultation on any matters of direct concern to The Queen which are not covered by the agreements above (essentially matters affecting the amenity of members of the Royal Family living at Kensington Palace) (para 35 below);

THE LORD CHAMBERLAIN'S ROLE

12. The Lord Chamberlain would be involved in the following:

a. The Agency's 'constitution'. On establishment the Agency will have a published 'policy and resource framework document' which has been agreed by the Secretary of State, the office of the Minister for the Civil Service and the Treasury. This will set out the aims and objectives of the Agency, the various responsibilities and powers to be delegated to it, and details of its staffing and financial regime. The Lord Chamberlain will have an opportunity to comment on this basic document and on any subsequent changes which affect The Queen's direct interests;

d. Agency top management. The Lord Chamberlain, or his representative, will always be on the Selection Board for the Agency's Chief Executive and for the key palace managers (Tower of London, Hampton Court and Kensington Palace);

c. Advisory group. The Secretary of State will appoint a small expert Advisory Group to advise him on the Agency's plans and performance. The Group will be chaired by the DOE Deputy Secretary responsible for heritage work and will include a representative of the Lord Chamberlain as well as two outside members with relevant experience (eg an historic house owner or a senior figure from the National Trust);

d. Performance monitoring. In the past the Lord Chamberlain has carried out annual inspections of Hampton Court Palace and the Tower of London. We propose that these should continue but with a narrower brief than in the past. The Lord Chamberlain would aim to satisfy himself that the interests set out in paragraph 4 were being safeguarded. He would not involve himself in other palace matters.

The Lord Chamberlain would receive each year a short summary of the palace plan proposals which are relevant to the requirements at paragraph 4 above. He would also receive a copy of the agency's annual Corporate Plan which would, among other things, report on its performance. He would be able to take up with the Secretary of State in that context any points in which the agency was regarded as falling short of the requirements laid on it under paragraph 4.

13. After the initial establishment of the Agency, these arrangements should take no more than 2\3 days of the Lord Chamberlain's time a year.

SPECIFIC AGREEMENTS

14. Specific agreements would be established as set out in the following paragraphs on the areas of direct interest to The Queen. These are the Crown Jewels; the Royal Collection (where the expertise of the Royal Collection Department would continue to be available to the new agency); the use of the palaces for royal functions and events; Grace and Favour apartments and other accommodation.

THE CROWN JEWELS

15. We are advised by the Treasury Solicitor that it would take considerable research to establish the precise legal status of the Crown Jewels. The general view however is that the Crown Jewels, like the palaces, appear to be the property of the Sovereign in right of Crown. The government clearly has an important interest because the Crown Jewels play an essential part in the ritual of state occasions. In recognition of this, the government (currently the Treasury but from next year the agency) pay for the cleaning and repair of the Crown Jewels.

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OF THE PUBLIC RECORDS ACT

16. The Crown Jewels have been kept in the Tower of London for some 500 years, an arrangement which dates back to a time when there was no distinction between the Sovereign and the government. The present arrangement is that they are made available for public exhibition on the understanding that individual items can be removed for use at any time and that the costs of exhibition and security are carried by the government. The Lord Chamberlain has been traditionally regarded as responsible to The Queen for ensuring that the arrangements with the government ensure the security and appropriate interpretation/presentation of the Crown Jewels.

17. The difficulty with the present arrangement is that the Lord Chamberlain carries that responsibility without any clear means of enforcing it. The Governor of the Tower (a government employee) has the separate Household office of Keeper of the Crown Jewels. But it has now been agreed that there is no separate accountability or reporting line to the Household through that ceremonial office. Indeed he has no access to funds or other resources to ensure the security or presentation of the Crown Jewels than through the Chief Executive and his employer, the Secretary of State. The Secretary of State is the only person to whom the Lord Chamberlain can in practice look to ensure that he can discharge his personal responsibilities to The Queen. In fact, were loss or damage to occur, the Secretary of State would be answerable to Parliament and also to The Queen.

18. We suggest that the Secretary of State's effective responsibility for the security of the Crown Jewels when they are in the Tower of London should be formalised in an agreement between the Secretary of State and the Lord Chamberlain. This would give the Secretary of State the responsibility, through his new agency, for ensuring the security, conservation and appropriate presentation of the Crown Jewels in the Tower of London. The agreement would spell out the general policies to be followed for public access and conservation and require the agency to ensure that the interpretation and presentation should be historically accurate and in keeping with the religious and constitutional significance of the Crown Jewels. Under the agreement, the agency would continue to be responsible for paying for cleaning, conservation and repair and would obviously decide how much should be spent. But they would, as now, look to the Royal Collection Department to supervise and advise on cleaning, conservation and repair. Contracts for any work would continue to be let by The Queen's Household, with responsibility perhaps concentrated on the Royal Collection Department rather than shared as now between the Lord Chamberlain's Office and the Royal Collection Department.

19. The Crown Jewels are of course an important symbol of the monarchy. The Lord Chamberlain therefore needs, under the agreement, some safeguard against the agency or a future government for which it works, deciding on a totally inappropriate presentation (eg one which would trivialise the Crown Jewels). There may also be some aspects of interpretation (ie those which relate to the ceremonial and ritual of monarchy) on which the expertise rests with The Queen's Household. We therefore suggest that the agency should be able to continue to draw on the expertise of the Royal Collection Department. The Agency would also consult the Lord Chamberlain on a very major change (ie more than ordinary relabelling or rearrangement) in the way the Crown Jewels and the associated regalia were presented and interpreted. In practice such a major change would be unlikely to occur at less than 10 year intervals.

THE ROYAL COLLECTION

20. The Royal Collection Department is responsible to The Queen for the paintings, furniture and works of art from the Collection which are displayed at Hampton Court, Kensington and Kew Palaces. The Royal Collection Department has its own specialist picture conservation department at St James' Palace, although conservation work on tapestries and fabrics is carried out by a specialist unit employed by the Department of the Environment, which will become part of the new Agency and some picture conservation work is carried out at an outstation of the Royal Collection Department based at Hampton Court. Until now the Royal Collection Department

has also sometimes taken the lead in planning new schemes of decoration for rooms in which items from the Collection are to be displayed, in collaboration with the Department and its present specialist advisers, English Heritage.

21. These arrangements have generally ensured the security and proper care of the Collection. But they have on occasions involved the Royal Collection Department in a great deal of the detailed management of the palaces. Some of the interpretation has been good. But splits of responsibility, the lack of clear overall leadership and the impermanence of some of the displays have produced some incoherences in presentation and interpretation.

22. A visitor to a good National Trust property today or a high standard American historical site (like Old Sturbridge Village) will usually see the results of a clear overall plan for interpretation of buildings, contents and their history which feeds through to everything the visitor experiences there - even the shop or the signing. A visitor to Hampton Court Palace ought to feel, from the moment he comes through the main gate, that he is visiting a royal palace, and get some sense at different stages of what the history of the Palace really means. This could be done in a number of ways. An audio visual display in a specially built visitor centre might give an introduction to different parts of the Palace as they were used in particular reigns. The state apartments would then be presented with appropriate furniture and paintings and perhaps special lighting or sound effects to give an impression of the rooms as they were. Some of the interpretative themes would be reflected in the guidebooks and even in goods sold in the shop. By contrast areas of the Palace which were intended to be seen as 'art galleries' would be planned and presented as such.

23. It is very difficult to achieve this coherence and unity of approach without single planning and management of the Palace and its gardens, and without some reasonable certainty that particular pictures and furniture will be available for display in the Palace for at least the life of an interpretative scheme. The arrangement we suggest would give the new agency the responsibility for planning and managing overall interpretation and presentation and would involve a redefinition of the role of the Royal Collection Department as formal lenders and expert consultants in the agency's interpretative team. The Royal Collection Department would continue, as now, to be responsible for all picture conservation work and for agreeing the programme of tapestry and fabric conservation work. They would also have the right, as lenders, to withdraw particular objects or pictures from display for special exhibition.

24. The Secretary of State would enter into a formal loan agreement with the Royal Collection Department which would set out the basis on which particular paintings, furniture and objects were to be displayed at each palace and for how long. The agreements would be modelled on the loan agreements already used by the Royal Collection Department and by national museums and would give the Secretary of State as the 'borrower' formal responsibility for security (including all insurance liability) and so on. Some possible heads of agreement are set out at Annex A. The loan agreements would also cover the use of rooms in which items from the Royal Collection were displayed for functions (see para 29 below).

25. There is inevitably much specialised knowledge and expertise about items from the Royal Collection which neither the agency nor its other specialist advisers possessed, and which the Chief Executive would not wish to duplicate. Although the agency will take the lead on interpretation and presentation of the palaces and their contents, the Chief Executive and his team will therefore continue to draw on the expertise of the Royal Collection Department who will form part of the interpretative team.

PROVISION FOR TERMINATION OF AGREEMENTS ON CROWN JEWELS AND ROYAL COLLECTION

26. In the final analysis, both the government and the Lord Chamberlain, on The Queen's behalf, must of course have the right after discussion to terminate or modify the agreements on both the Crown Jewels and the Royal Collection. This is a necessary final safeguard to protect the position against all circumstances.

FUNCTIONS\EVENTS

27. In considering how functions and events should be handled in future, there are three main relevant factors:

1. functions and events are expensive. The Department of the Environment has to ensure that staff (security, admissions, managers) are available to plan and service functions. Although function holders are now required to pay all marginal costs and a contribution to palace overheads, such payments seldom cover the real cost of ensuring that the staff and organisation are equipped to cope with functions to the high standards required, and have not so far included the cost of management time. (A recent estimate of the cost of 'management time' for a medium sized Hampton Court function was £1,000);

ii. functions and events could make a useful contribution to the costs of running the palaces, were the palaces available for suitable non-charitable corporate functions. For many of the National Museums and historic houses, functions and events are now a significant source of extra income;

iii. historic royal palaces have a status and associations which set them apart from many museums and houses. Indiscriminate use for commercial functions would devalue them, and could cause damage to the palaces' valuable fabric and contents.

28. At present applications for using Hampton Court Palace and Kew Palace come to the Household (the Lord Chamberlain's office and Royal Collection Department respectively). The Kensington Palace State apartments are used only for royal family functions. Use of the Tower has been controlled by the Governor - with criteria determined largely by security considerations. At the Banqueting House, by contrast, applications are handled directly by the Department, within policy guidelines agreed with the Lord Chamberlain. Applications which are not clear cut (for example a recent application by Christies to hold a 'wine auction') are referred back to the Keeper of the Privy Purse for separate decision.

29. We suggest that in future the policies for the use of each palace for functions or events should be agreed by the Secretary of State through the corporate planning machinery. Special arrangements should be made with the Household to cover the use of each palace for functions or events organised on behalf of the Royal Family. Otherwise the agency should be responsible for deciding on all other uses for functions and events, subject to its general responsibility for ensuring that all activities should be consistent with the status and security of the building, and subject to the 'loan' agreements with the Royal Collection Department which would cover the protection of objects and pictures from damage.

GRACE AND FAVOUR APARTMENTS AND OTHER OFFICIAL ACCOMMODATION

30. At present DOE is responsible for the day to day 'landlord' management of traditional Grace and Favour apartments and those let to craft organisations on Grace and Favour terms and is also responsible for carrying the cost of initial basic refurbishment. The Privy Purse is responsible for the allocation of apartments and the Chief Steward of Hampton Court Palace provides general help and advice to traditional Grace and Favour residents.

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31. there will be no more private grants of Grace and Favour apartments at Hampton Court Palace, and policy on the use of accommodation by craft organisations is under review. As a result, the direct interests of the Royal Household will be significantly reduced.

32. We propose that in future policy on the use of historic palaces, whether for residential or office accommodation, should be agreed by the Secretary of State through the business planning machinery. The agency would be responsible to the Secretary of State for ensuring that new uses were compatible with the status and security of the palaces and with the agency's own financial objectives.

33. The Queen's Household's role in future would relate only to the existing Grace and Favour arrangements for individuals and craft organisations. Responsibility for day to day management for these Grace and Favour arrangements would primarily be the responsibility of the Hampton Court Administrator. He would consult the Chief Steward and Keeper of the Privy Purse as necessary.

34. These new arrangements for accommodation, transferring the main decisions to the Secretary of State, would be set out in a formal agreement between the Secretary of State and the Lord Chamberlain.

AD HOC CONSULTATION

35. Most of the occasions on which the Royal Household will need to be consulted will be covered through the general involvement of the Lord Chamberlain in planning and performance monitoring, and through the specific agreements covering the main areas of interface, as set out above. However, there will from time to time be occasions which are not so covered, eg matters which might affect the amenity of members of the Royal Family living at Kensington Palace or visits to the Palaces by members of the Royal Family. In such cases, we propose that the agency should consult direct with the relevant Private Office.

CONTACT POINTS

36. The proposals set out above involve fairly detailed consultations initially with members of The Queen's Household as first agency plans and agreements are prepared. But, once the basic framework has been set, the emphasis will be on increasing detachment of the Household from the running of the palaces, the main area of involvement being that of the Royal Collection Department.

37. The Lord Chamberlain may find it convenient under the new regime if general questions affecting the palaces are coordinated by a single member of the Household. This might be the member of the Household nominated by him to be a member of the Secretary of State's Advisory Group. This key contact could be briefed comprehensively on the approach to the palaces and would then be able to help individual Departments of the Household set any detailed proposals in the overall context.

38. Once the basic planning framework is established and the Crown Jewels and Royal Collection agreements are in place, contacts with individual departments (other than the Royal Collection Department) should in fact be rare. The agency would deal direct with the relevant department in such cases as did arise but would involve the Household key contact in cases of significant disagreement or difficulty.

39. A paper providing some examples of how the proposed arrangements would work in relation to specific decisions at the palaces is at Annex B.

ARRANGEMENTS FOR REVIEW

40. It is proposed that the arrangements set out in this paper should formally operate from 1 April 1990 for the next 3 years. They would then be subject to review by the Secretary of State on advice from the Chief Executive in consultation with the Lord Chamberlain.

Directorate of Heritage & Royal Estate

**LOANS FROM THE ROYAL COLLECTION DEPARTMENT TO THE HISTORIC ROYAL
PALACES AGENCY**

PROPOSED HEADS OF AGREEMENT

1. **The pictures/objects which are the object of the agreement**
A list of pictures/objects, with description, identification number and valuation.
2. **Timing and Location**
The palace to which the pictures/objects are to be loaned, and the length of time they are on loan. There would be provision for longer term agreements, and agreements covering short term exhibitions.
3. **Liability for loss/damage**
Loans would be indemnified under the arrangements currently operating between the Royal Collection Department and the Treasury for loans to Government.
4. **Transport**
Arrangements for packing, means of transport, transport security and couriers, including costs. Conditions covering the movement of the objects or pictures within the palace.
5. **Gallery Conditions**
Required atmospheric and lighting conditions.
6. **Security**
Requirement for adequate security, including any special secure mounting or cases required.
7. **Photography, Reproduction, Catalogues and Other Publications**
Arrangements for reproductions, catalogues and other publications, and credits in publications.
8. **Variation**
Arrangements for removal of objects, furniture and paintings either permanently or temporarily on the personal wishes of The Queen in advance of the period otherwise stipulated in the loan agreement.
9. **Review**
For longer term agreements, an agreed date at which the loan agreement should be reviewed either to confirm final dates for terminating the loan, or for renewal.
10. **Reciprocal loan agreements to third parties**
Arrangements for borrower to 'on lend' objects to third parties on strict conditions and for limited periods and purposes.

EXAMPLES OF HANDLING OF PALACE DECISIONS UNDER PROPOSED ARRANGEMENTS

Palace business plans are likely to contain many proposals which, under the old arrangements would have been subject to consultation with the Lord Chamberlain or one of the departments of the Household. Under the new arrangements proposed, all business plan proposals will be subject to the Secretary of State's approval and will have to be consistent with the agency's primary objectives. But consultation with the Household will be confined to the very small number of proposals which affect The Queen's direct interests. The following paragraphs give some examples.

New Interpretation Centre at Hampton Court

2. One of the proposals likely to emerge in the Hampton Court Business Plan is the building of a new visitor interpretation centre on the site of the current works yard off Tennis Court lane. The centre would replace the present ugly temporary ticket huts, and would include a small theatre for an audio-visual introduction to the palace, ticket office, shop, catering and perhaps education facilities. It would need to be designed to a high architectural standard so that it fitted in well with the existing buildings.

3. Plans for the building would have to be cleared with the local planning authority and with English Heritage. Hampton Court residents would have an opportunity to comment on the plans in exactly the same way as other local residents. But there would be specific consultation with The Queen's Household (the Chief Steward and the Keeper of the Privy Purse as appropriate) only on aspects of the centre which directly affected the amenity of Grace and Favour residents eg any changes in parking or access arrangements during or after construction.

New 'tee room' in the Orangery, Kensington Palace

4. The only catering facilities now available for visitors to Kensington Palace are some rather poor 'kiosks' in Kensington Gardens. The Kensington Palace manager, Nigel Arch, has introduced this summer as an experiment a new 'cafe' in the Orangery, providing good light salads at lunch time and tea and cream cakes at tea time. If the idea proves successful, it would be continued in subsequent years. In time the orangery might also

be used as the main admission point to the Palace (allowing visitors to get a greater sense of occasion) and might also include a shop.

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6. Under the proposed arrangements there would be consultation only on those points which affected The Queen's direct interests ie with the Prince of Wales' Private Office on the impact of the proposals on members of the Royal Family living in Kensington Palace and with the Royal Collection Department on the arrangements for ensuring proper protection for any items from the Royal Collection which might be on display in the Orangery (to the extent that these were not covered by the loan agreement).

Use of Spare Apartments at Hampton Court Palace

7. As time goes by, there is an increasing amount of space in the Palace for which there is no present use. A proposal likely to appear in the business plan is that consideration might be given to hiring out some rooms for small conferences, special events etc on the lines already successfully developed at many National Trust properties.

8. Under the proposed arrangements, Palace managers would agree all changes of use with the Secretary of State as part of the business planning process. There would be consultation with the relevant department of the Household only if a planned new use had implications for the amenity of existing Grace and Favour residents or involved changes affecting pictures and objects from the Royal Collection which were not covered by the relevant loan agreement with the Royal Collection Department.

Filming and Photography

9. The agency would agree policies on filming and photography with the Secretary of State as part of the business planning process. The Household would be consulted only if a specific case was likely to affect the amenity of residents or if it was necessary to seek special permission (not covered by the loan agreement) to film or photograph objects and pictures from the Royal Collection.

Interpretation and Presentation

10. Both Kew Palace and Hampton Court need a new approach to interpretation if they are to be brought more to life for visitors. This may be achieved by better guidebooks and labelling. Or it might be done, as it has been at the Royal Palace at Het Loo for example, by skilful arrangement of furniture - so that it looks as if a room has recently been occupied. All interpretation at the palaces needs to be of high standard.

11. Under the new arrangements, the responsibility for and final decisions on interpreting and presenting the palaces will rest with the agency's Chief Executive. He will be responsible to the Secretary of State for maintaining high standards and presenting the palaces in an educational and enjoyable way. They will consult the Royal Collection Department on particular aspects and indeed the Royal Collection Department would be part of the Chief Executive's interpretative team. But schemes of interpretation would need RCD approval only if they involved moving pictures or objects in a way which was not covered by the specific 'loan' agreement.

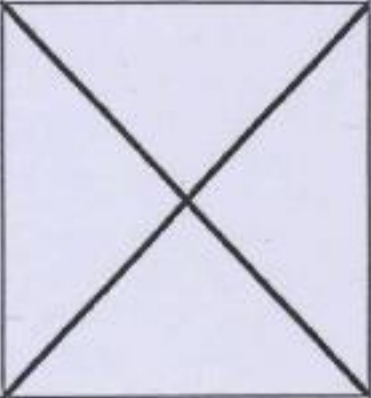
Advertising Material\Guide Books

12. The agency would be required to consult the Royal Collection Department only if they wanted to reproduce any item from the Royal Collection and if such permission were not already covered in the loan agreement. Other consultation would be at the agency's discretion.

Tree Felling\Removal of Buildings etc

13. The agency would have to seek the Secretary of State's separate and specific agreement (and in appropriate cases that of the local planning authority and English Heritage) before making significant changes to the physical fabric of the buildings or gardens if these were likely to raise local or national controversy.

14. The Household would not normally be consulted unless a proposal affected The Queen's direct interests. That would mean that controversial proposals for eg felling and replanting the yew trees in the East Front gardens at Hampton Court would go to the Secretary of State, but not the Household. A proposal to redesign the gardens at Kensington Palace by contrast would go to the Household because it might affect the amenity of members of the Royal Family resident at the Palace.

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ROYAL PARKS AND PALACES AGENCIES

DOE Candidates for "agency" status

1. Proposed candidates for "agency" status within the Department of the Environment (Central) are the Royal Parks, and the Historic Royal Palaces - Tower of London, Hampton Court, Kew Palace, Queen Charlotte's Cottage, part of Kensington Palace (state apartments and the Court Dress Collection) and the Banqueting House.

Existing Arrangements

2. The Palaces and Royal Parks have been managed as an integral part of DOE. This has involved a complex hierarchy of management, reaching to Ministers, and a lack of a clear focus of responsibility. There has been no real business planning or budgeting. The result is poor performance, with Hampton Court for example not even covering its warding costs. The Parks are not quite the same, but as executive units with large numbers of industrial staff, management through a classic policy Division is not really appropriate.

3. The Parks and Historic Palaces therefore fit well with the agency model recommended by the Efficiency Unit. The proposals do not cover the 'occupied' Royal Palaces, eg Buckingham Palace and Windsor.

Consultation with the Royal Household

4. Work is already in hand to introduce new unified management arrangements at Hampton Court. A new Manager - Major General Thompson - took up duty as Administrator at Grade 5 level last autumn. The Royal Household were closely involved in these changes which were agreed by The Queen. The new arrangements provide for the Administrator to prepare forward business plans and programmes, consulting with the Royal Household as necessary.

5. The Royal Household have also been closely consulted over the new agency arrangements. The general principles were agreed between the Secretary of State and the Lord Chamberlain last November, and The Queen has been informed.

Difficult Points

6.

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7. A copy of the draft DOE Press note is attached.

Royal Palaces (Reorganisation) Branch
16 February 1988

APPROVED BY THE SECRETARY OF STATE

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Draft Press Notice

NICHOLAS RIDLEY ANNOUNCES POSSIBLE AGENCIES FOR DOE

Nicholas Ridley, Secretary of State for the Environment, said that, following the Prime Minister's new civil service management initiative, he was considering putting the management of the Royal Parks in London, the Historic Royal Palaces and the Queen Elizabeth II Conference Centre onto an agency basis.

Commenting on the Prime Minister's new initiative Nicholas Ridley said:

"The Prime Minister's announcement today gives new and welcome impetus to the approach I have been developing to the management of executive work in my Department. We have done an enormous amount in recent years to reduce manpower and improve efficiency throughout the Department. Now we are going to focus particularly on those areas in which we provide services - to the public, to other organisations or to other Government departments - and try to create a framework in which the managers have greater flexibility to run the day to day operations of each agency as an efficient business. I hope to have the full arrangements in place for the Historic Royal Palaces and the Queen Elizabeth II Conference Centre by April next year and for the Royal Parks by April 1990."

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Notes for Editors

The new arrangements for the Historic Royal Palaces will apply to Hampton Court Palace, Gardens and Park; the Tower of London, the State Apartments and Court Dress Collection at Kensington Palace; the Banqueting House and Kew Palace. These all belong to The Queen in Right of Crown and are managed on her behalf by the Secretary of State for the Environment. The Secretary of State recently rejected a proposal to transfer their management to the Historic Buildings and Monuments Commission. About 300 people are employed in the management of the Palaces and in opening them to the public.

The new agency will not cover the Palaces in which The Queen and the Royal Family are resident - Buckingham Palace, St James and the main part of Kensington Palace, Windsor Castle and Clarence House.

The proposed Royal Parks agency will be responsible for managing all the Royal Parks in London except for Hampton Court Park (Hyde Park, Kensington Gardens, St James Park, Green Park, Regents Park and Primrose Hill, Richmond Park, Brompton Cemetery, Greenwich Park and Bushy Park). At present about 450 staff are employed in running the Parks and a further 160 in the Royal Parks Constabulary which will be part of the new agency.

The Queen Elizabeth II Conference Centre, located in Broad Sanctuary, Westminster was opened in 1986. It employs some 60 staff and is at present managed as an integral part of the Property Services Agency which answers to the Secretary of State for the Environment.



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2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

Nigel Wicks Esq
Private Secretary to
The Prime Minister
10 Downing Street
LONDON
SW1A 2AA

23 December 1987

Dear Nigel,

A few weeks ago you asked me about ownership of the Royal Palaces. I attach a brief note which gives the basic information. Please get in touch if there are any other details you would like to know.

Yours sincerely,
Deborah Lamb.

DEBORAH LAMB
Private Secretary

OWNERSHIP OF THE ROYAL PALACES

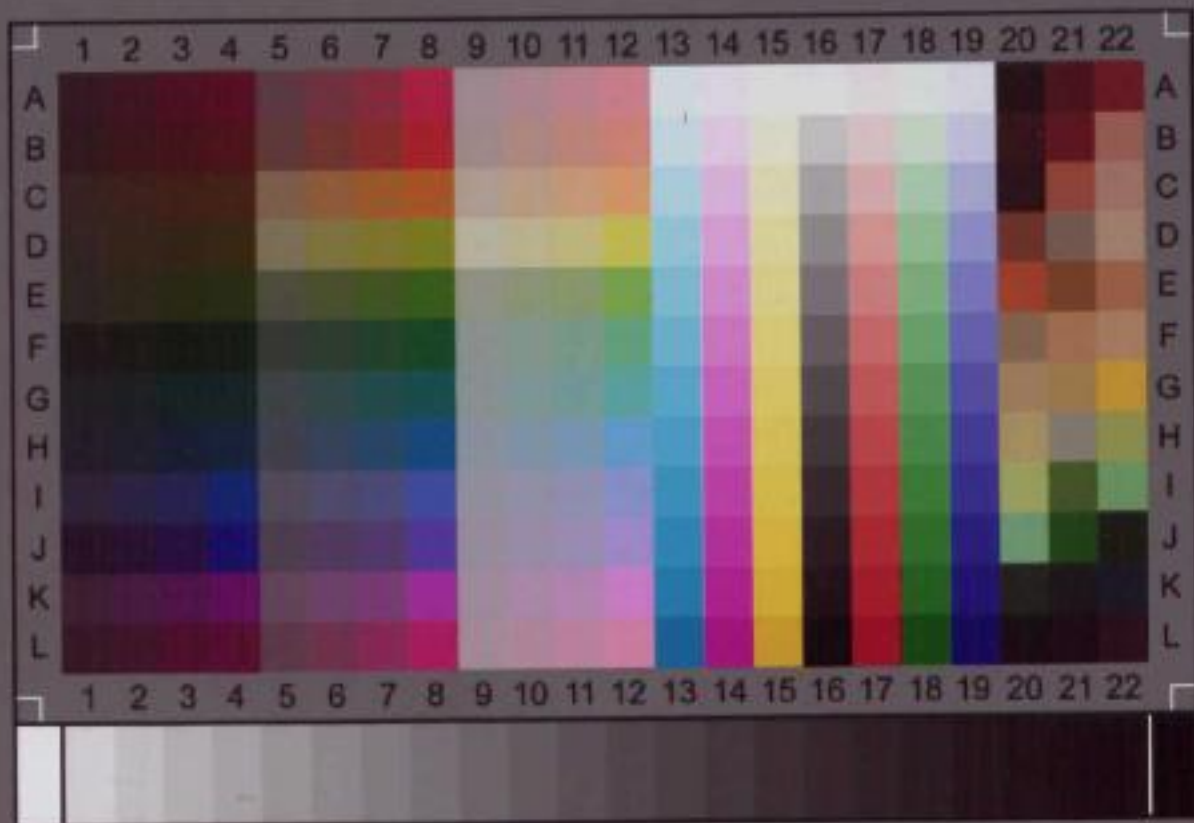
Tower of London
Hampton Court Palace
Kensington Palace
Buckingham Palace
St James' Palace
Banqueting House
Kew Palace
Windsor Castle (and Frogmore House)
Marlborough House

All of these are owned by the Sovereign in right of Crown. They are not privately owned (like Sandringham and Balmoral) and have not been handed over to the Crown Estate Commission. Historically they have been maintained by the Office of Works and its successors, except for the Tower of London which was wholly in the hands of the War Office until 1903, when responsibilities were split with the Office of Works. The Banqueting House is subject to a Royal Warrant putting management in the hands of Ministry of Public Buildings and Works (DOE as successors) and Marlborough House, to a Royal Warrant providing for use by the Commonwealth Secretariat.

Lancaster House is Crown Estate Commission property and maintained by PSA on the Civil Vote, while being used partly as an adjunct to the QE2 Conference Centre and partly for Government hospitality.

MG/PPC/DOE

26 November 1987



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